

**PUTNAM DISTRICT LIBRARY
NASHVILLE, MICHIGAN**

**REPORT OF AUDIT
AS OF
MARCH 31, 2007**

**FOOTE and LLOYD
CERTIFIED PUBLIC ACCOUNTANTS
BATTLE CREEK, MICHIGAN**

Auditing Procedures Report


Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Putnam District Library	County Barry
Fiscal Year End 3/31/2007	Opinion Date 12/13/2007	Date Audit Report Submitted to State 12/18/2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

 **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Foote & Lloyd, CPAs		Telephone Number 269-962-7518	
Street Address Two West Michigan, Suite 210		City Battle Creek	State MI
Zip 49017			
Authorizing CPA Signature 	Printed Name Charles W. Foote, CPA	License Number 1101007397	

PUTNAM DISTRICT LIBRARY

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INDEPENDENT AUDITOR'S REPORT

Putnam District Library
Nashville, Michigan

We have audited the accompanying financial statements of the Putnam District Library, Nashville, Michigan, as of and for the year ended March 31, 2007, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Putnam District Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the activities of the Putnam District Library as of March 31, 2007, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*, as amended and interpreted.

The management's discussion and analysis and budgetary comparison information on pages 2 through 3 and 10, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Footte and Lloyd

CERTIFIED PUBLIC ACCOUNTANTS

Battle Creek, Michigan
December 13, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Balance Sheet/Statement of Net Assets shows the financial position of the Putnam District Library at the close of March 31, 2007. The Statement of Revenue, Expenditures and Changes in Fund Balance/Statement of Activities shows the results of the Library's activities during the fiscal year then ended. The Statement of Support, Revenues, Expenditures & Changes in Fund Balance shows the relationship of the original budget, the final (amended) budget and the actual activity for the fiscal year.

The Condensed Financial Information from the Government-wide Financial Statements follows:

PUTNAM DISTRICT LIBRARY CONDENSED FINANCIAL INFORMATION FROM THE GOVERNMENT-WIDE FINANCIAL STATEMENTS MARCH 31

	<u>2007</u>	<u>2006</u>
Total Assets	393,867	373,611
Total Liabilities	10	2
Net Assets: Capital Assets Net of Related Debt	2,546	2,705
Restricted	15,400	15,000
Temporarily Restricted	-	-
Unrestricted	375,911	355,904
Program Revenues: Fines, Fees, Rentals and Sales	4,783	2,958
Other	93	178
Grants	1,000	0
General Revenues: Property Taxes	46,025	43,758
State Aid and Penal Fines	17,414	21,360
Investment Earnings	13,273	9,073
Contributions for Operating	5,550	204
Total Revenues	88,138	77,531
Program Expenses by Function: Library	67,890	61,796
Total Expenses	67,890	61,796
Change in Net Assets	20,248	15,735
Beginning Net Assets	373,609	357,874
Change in Temporarily Restricted Net Assets	-	-
Ending Net Assets	393,857	373,609

MANAGEMENT'S DISCUSSION AND ANALYSIS
Page 2

The fiscal year April 2006 – March 2007 as Putnam District Library was a busy year. We were able to provide activities and programs to patrons of all ages.

As in the past, we are using interest when necessary from two CD's, computers and wage brackets are the recipients with the monies kept in savings account until needed.

Each monthly meeting shows a financial report that includes balance of each bracket in our budget.

The staff and board work well together for the benefit of the patrons.

PUTNAM DISTRICT LIBRARY
GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET ASSETS
MARCH 31, 2007

	Governmental Fund Balance Sheet Modified Accrual Basis	Adjustments	Government- Wide Statement of Net Assets Accrual Basis
Assets			
Cash and Cash Equivalents	324,963	-	324,963
Investments	62,336	-	62,336
Receivables - Property Taxes	4,991	-	4,991
Fixed Assets - Net	<u>-</u>	<u>2,546</u>	2,546
TOTAL ASSETS	<u>392,290</u>	<u>2,546</u>	<u>394,836</u>
Liabilities			
Accounts Payable and Accrued			
Liabilities	<u>10</u>	<u>-</u>	<u>10</u>
Total Liabilities	<u>10</u>	<u>-</u>	<u>10</u>
Fund Balance/Net Assets			
Fund Balances - Reserved			
Permanently Reserved	15,000	(15,000)	
Temporarily Reserved	-	-	
Fund Balances - Unreserved			
Undesignated	377,280	(377,280)	
Designated	<u>-</u>	<u>-</u>	
Total Fund Equities	<u>392,280</u>	<u>(392,280)</u>	
Total Liabilities and Fund Balance	<u>392,290</u>		
Net Assets			
Invested in Capital Assets (net of any related debt)		2,546	2,546
Restricted		15,000	15,000
Temporarily Restricted		-	-
Unrestricted		<u>377,280</u>	377,280
Total Net Assets		<u>394,826</u>	<u>394,826</u>

The Notes to Financial Statements are an integral part of this statement.

PUTNAM DISTRICT LIBRARY
STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED MARCH 31, 2007

	Governmental Fund Balance Sheet Modified Accrual Basis	Adjustments	Government- Wide Statement of Activities Accrual Basis
REVENUE			
Property Taxes	46,025	-	46,025
State Aid	5,271	-	5,271
Penal Fines	12,143	-	12,143
Interest on Investments	14,242	-	14,242
Contributions and Donations	5,550	-	5,550
Library Fines, Fees, Rentals and Sales	4,783	-	4,783
Other	93	-	93
Operating Grants	<u>1,000</u>	<u>-</u>	<u>1,000</u>
TOTAL REVENUES	89,107	-	89,107
EXPENDITURES			
Salaries	37,125	-	37,125
Fringe Benefits	3,062	-	3,062
Supplies	4,225	-	4,225
Library Books and Materials	8,092	-	8,092
Dues	2,884	-	2,884
Program Expenses	513	-	513
Repair and Maintenance	3,112	-	3,112
Professional Fees	1,280	-	1,280
Communications	1,337	-	1,337
Travel	101	-	101
Insurance	1,010	-	1,010
Utilities	4,832	-	4,832
Miscellaneous	158	-	158
Capital Outlay	-	-	-
Grants	-	-	-
Depreciation	<u>-</u>	<u>159</u>	<u>159</u>
TOTAL EXPENDITURES	<u>67,731</u>	<u>159</u>	<u>67,890</u>
EXCESS OF REVENUES OVER EXPENDITURES	21,376	(159)	21,217
FUND BALANCE - Beginning of Year	370,904	2,705	373,609
Change in Temporarily Restricted Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - End of Year	<u>392,280</u>	<u>2,546</u>	<u>394,826</u>

The Notes to Financial Statements are an integral part of this statement.

PUTNAM DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF REPORTING ENTITY

The Putnam District Library is, for financial reporting purposes within generally accepted accounting principles, an independent governmental entity that was formed jointly by local units of government to provide library services to residents of the Village of Nashville and surrounding townships.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Putnam District Library conform to generally accepted accounting principles as applicable to public libraries.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Unrestricted Operating Fund - Represents expendable funds which may be used for any purpose in the operation of the Library at the discretion of the Board of Trustees.

Use of Resources - It is the Library's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Inexhaustible Collections and Books - Because the values of the existing inexhaustible collections, including research books, are not readily determinable, the library has not capitalized them. Accessions and de-accessions during the fiscal year were not significant. Books used in the circulating library have not been capitalized because their estimated useful lives are less than one year.

Capital Assets – Capital assets are defined by the Library as assets with an initial cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Furniture and Equipment	5 - 20 years
Improvements	10 - 20 years

**PUTNAM DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates in the Preparation of Financial Statements - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The differences between the government-wide and fund financial statements are reconciled as shown within the financial statements.

NOTE 4 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

In the body of the financial statements, the Library's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a line item basis. The approved budgets of the Library for these budgetary funds were adapted to the line item level.

During the year ended March 31, 2007, the Library incurred expenditures in no budgetary funds which were in excess of the amounts appropriated.

The only reconciling item between budgetary information and GAAP information is the reclassification of any capital outlay to fixed assets and the related depreciation.

NOTE 5 - RELATIONSHIP WITH OTHER GOVERNMENT UNITS

Under State Treasury Guidelines, the Library is a district library and is not a component unit of Castleton Township, Maple Grove Township, or the Village of Nashville and is not reported in any of those audits as such.

**PUTNAM DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS

Deposits in banks are carried at cost and certificates of deposit are carried at cost plus accrued interest.

Act 217, PA 1982, authorizes the Library to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The library is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Library Board has designated four banks for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Library's deposits and investment policy are in accordance with statutory authority.

At year-end, the Library's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Library Activities</u>
Cash and Cash	
Equivalents	324,963
Investments	47,336
Restricted Assets	<u>15,000</u>
Total	<u><u>387,299</u></u>

The breakdown between deposits and investments is as follows:

	<u>Library</u>
Bank Deposits (checking and savings	
accounts, certificates of deposit)	324,963
Community Foundation	24,764
Government Bonds	<u>37,572</u>
Total	<u><u>387,299</u></u>

**PUTNAM DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

The bank balance of the Library's deposits is \$326,656, of which \$311,056 is covered by federal depository insurance and \$0 is collateralized.

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Local Government Unit or its agent in the government's name;
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Local Governmental Unit's name.

All investments are in category one.

NOTE 7 - RECEIVABLES

Receivables as of year-end for the Library including the applicable allowances for uncollectible accounts, are as follows:

	Library
Taxes Receivable	<u>4,991</u>
Gross Receivables	4,991
Less: Allowance for Uncollectibles	<u>-</u>
Net Receivables	<u><u>4,991</u></u>

The Library reports deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. The Library also defers revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent Property Taxes	<u>-</u>	<u>-</u>
Total	<u><u>-</u></u>	<u><u>-</u></u>

**PUTNAM DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
(Continued)**

NOTE 8 – CAPITAL ASSETS

A summary of changes in general fixed assets is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Other Capital Assets:				
Furniture and Equipment	<u>3,182</u>	<u>-</u>	<u>-</u>	<u>3,182</u>
Total	3,182	-	-	3,182
Accumulated Depreciation	<u>(477)</u>	<u>(159)</u>	<u>-</u>	<u>(636)</u>
Net Book Value	<u><u>2,705</u></u>	<u><u>(159)</u></u>	<u><u>-</u></u>	<u><u>2,546</u></u>

NOTE 9 - REVENUE

A major source of revenue for the Library is a voted millage of .481 mills voted by the residents of Castleton and Maple Grove Townships. The millage is collected by the Townships and forwarded to the Library.

NOTE 10 - INSURANCE RISK

The Library's insurance for Workers' Compensation, General Liability and Property Loss and Fleet Insurance is carried by an insurance company. The Library is not self-insured other than for minimal deductibles. No known material claims are outstanding.

**Required
Supplementary
Information**

**PUTNAM DISTRICT LIBRARY
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED MARCH 31, 2007**

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Beginning of Year Fund Balance				
Resources (Inflows)	370,904	370,904	370,904	-
Property Taxes	44,000	44,000	46,025	2,025
Penal Fines	12,500	12,500	12,143	(357)
State Aid	4,800	4,800	5,271	471
Contributions	1,200	1,200	5,550	4,350
Book Fines & Sales, Fax, Copy Machine & Other	1,100	1,100	4,876	3,776
Interest Earned	5,000	5,000	14,242	9,242
Grant Revenue	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>1,000</u>
Amounts Available for Appropriation	439,504	439,504	460,011	20,507
Charges to Appropriations (Outflows)				
Books, Periodicals, Audio-Visual				
Material	5,000	5,000	8,092	(3,092)
Seminars, Workshops & Travel	400	400	101	299
Program Expenses	800	800	513	287
Co-Op Dues	3,650	3,650	2,535	1,115
Salaries	38,000	38,000	37,125	875
Payroll Taxes & Fringe Benefits	200	200	3,062	(2,862)
Insurance	1,150	1,150	1,010	140
Office & Postage	5,000	5,000	4,225	775
Dues	350	350	349	1
Utilities	5,000	5,000	4,832	168
Repairs & Maintenance	1,000	3,400	3,112	288
Professional Fees	1,250	1,280	1,280	-
Other	400	400	158	242
Communication	1,400	1,400	1,337	63
Capital Outlay	-	-	-	-
Grant Expenditures	<u>400</u>	<u>400</u>	<u>-</u>	<u>400</u>
Total Charges to Appropriations	<u>64,000</u>	<u>66,430</u>	<u>67,731</u>	<u>(1,301)</u>
Budgetary Fund Balance - End of Year	<u>375,504</u>	<u>373,074</u>	<u>392,280</u>	<u>19,206</u>

The Notes to Financial Statements are an integral part of this statement.



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LETTER OF COMMENT AND RECOMMENDATION

To the Board of Putnam District Library
Nashville, Michigan

In planning and performing our audit of the financial statements of Putnam District Library as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Putnam District Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Putnam District Library's internal control. Accordingly, we do not express an opinion on the effectiveness of Putnam District Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated December 13, 2007, on the financial statements of Putnam District Library. Our comments are summarized as follows:

General Accounting – The Library should maintain a general ledger and record all transactions in the general ledger. A list of invoices to be paid should be reviewed and approved at each monthly meeting.

Financial Statements – The officers of the Library do understand all the information included in the annual financial statements; however, assistance of the external auditor was utilized in drafting the financial statements including the reconciliations required by Governmental Accounting Standards Board Statement #34 and the required footnotes to the financial statements.

We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operation efficiencies.

This report is intended for the information and use of the Putnam District Library Board and officers of the Library and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank you this year for the opportunity of serving you and for the assistance and cooperation we received from everyone contacted during the course of the audit. Please do not hesitate to contact us if you have questions at any time.

Foote and Lloyd

CERTIFIED PUBLIC ACCOUNTANTS

Battle Creek, Michigan
December 13, 2007